

U.S. House of Representatives Committee on Ways and Means

Subcommittee on Social Security Numbers

Field Hearing on “Social Security Numbers and Child Identity Theft”

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Written Testimony of the *ID Theft Info Source*™

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Chairman Johnson and Members of the Committee:

Thank you for the opportunity to provide written testimony to your committee. We appreciate your interest in the topic of child identity theft and causal factors due to the overexposure and excessive usage of their Social Security numbers (SSN).

In 1999, we founded the Identity Theft Resource Center, a nonprofit victim assistance center, in order to respond to the growing population of identity theft victims who were at a loss as to how to respond to this crime, and clear their good names. Linda Foley had become a victim herself in 1997 and while networking with other victims realized the need for a trained call center, and an extensive website containing documents that both educated people about identity theft and provided tools for remediation. It was while working with both parents of child victims and adults who had been victims of identity theft when they were children that we realized child identity theft needed to be addressed with policy changes and legislation. Both Linda and Jay are considered nationally respected subject matter experts in identity theft and child identity theft. Both of the Foleys were panel members at the DOJ/FTC open forum on child identity theft in Washington DC in July 2011. We have recently started a new company, *ID Theft Info Source*, a consulting firm that will address emerging trends and the issues of identity theft.

For the past twelve years, we have been studying the problem of child identity theft. In the beginning, the perpetrator in the majority of cases was a parent, a step parent, or guardian. Because of this most of the proactive approaches would not have been appropriate because the imposter did not want their fraudulent activities stopped. However, in the past couple of years we have seen more data mining by cyber criminals who then sell child Social Security numbers in underground black markets and on street corners. This change in the pattern of obtaining and using the Social Security numbers of children means we must find a new approach to protecting both the children of today and tomorrow.

Unfortunately, there is not just one solution for this type of crime. While parents may wish to put a freeze or a fraud alert on the child's credit report this would only solve part of the problem. It does not solve the problem of someone using their child's Social Security number for employment, tenancy, college loans, medical care, receive local or federal benefits, and /or tax refunds. In fact, it really doesn't solve financial identity theft issues at all. A credit report begins with the first application for credit. Since a minor may not apply for credit, which is a contractual agreement, there should be no record on which to place an alert or to freeze.

During your hearing you heard from victims of child identity theft and those who represented children who were victims of this crime. No doubt you discovered that these cases became apparent when the child reached 18 and was not able to apply for credit, college loans, or even get a job. You probably also heard from parents who discovered the crime when they were applying for local or federal benefits, or received a notice from the IRS stating their five-year-old had already received a tax refund so therefore their tax return was considered in error. In our many years of working child identity theft cases we have run across a three month old who owed money to a hospital for work related back injury and a prescription of oxycodone, a five-year-old who owed arrears for child support to himself, and children who have criminal warrants for their arrest that actually belonged to adults who were using the children's information.

Another problem area is **foster children**. Because their Social Security numbers are widely exchanged among caseworkers and guardians, many of these children are victims of identity theft before they even leave the system. And because they have aged out of the system, there are no adults or programs to guide them as a parent might for their own child.

Additionally, when a child becomes a victim of identity theft due to the actions of one or both parents, that child is rarely removed from the home. The typical sentence for identity theft, including child identity theft, is probation. Child Protective Services does not normally follow up on these cases to verify that the parents are not re-offending. Foster children and children of cases where the parent was the perpetrator need to be addressed by legislation to afford them **"special protections under the law."**

Before addressing options to prevent these crimes and assist law enforcement, we would also like to bring to lesser-known problems of child identity theft to the committee's attention. First would be the **fiscal impact of child identity theft to our economy** and to the individuals affected by this crime. Normally when one turns 18 they are able to pursue further education whether in college or at a vocational school. This enables them to become a productive member of society. Instead, a victim of child identity theft is frequently unable to get the loan necessary to learn a skill or get a college degree. This means they are forced to accept low income jobs.

We worked with one young woman whose foster mother left a note for her instead of a birthday card. The note said, "the rent is paid until next week." Unable to find any other work she became a stripper in the club living on her tips. That job lead to her working on the streets until she was arrested by law enforcement. The officer who arrested her was familiar with our work and referred her to us for assistance. Upon checking her credit reports we found a five year history of unpaid debts, dating back to when she was

13 years old. After clearing the fraudulent records she was able to attend a community college while working. Today she is a college graduate and teacher.

Instead of costing taxpayers potentially hundreds of thousands of dollars to prosecute her and prison costs she is a productive member of society. Multiply this times 50,000 and you start to get an idea of the cost to our nation of child identity theft.

The second problem is the **emotional impact of child identity theft**. If the perpetrator is a family member all too frequently the victim is placed into an impossible position of having to choose between watching out for their own self good and perhaps sending a parent to jail, or ignoring the situation with the knowledge that this will impact their ability to get credit for the next seven years. If the perpetrator is unknown to the victim, there is always the question of whether the steps taken to remediate the situation are enough or this crime will be committed over and over again by possibly multiple perpetrators.

The Role of Social Security numbers in Child Identity Theft Crimes:

It is our professional opinion that Social Security numbers in general are overused, overexposed, and abused. We need to re-examine and minimize legitimate reasons for the use of the Social Security number, both for adults and children. Unfortunately, because a person's Social Security number is unique it's not uncommon for multiple governmental agencies, businesses, and other organizations to want to use this as an identification tool.

Your committee has heard from multiple law enforcement agencies including those that deal with cyber crime. It is unnecessary to repeat that testimony. Social Security numbers are so widely distributed that it is nearly impossible to protect these numbers from fraudulent use, especially when talking about the crime of child identity theft.

So what are the options?

It is our studied opinion that we need a two-fold approach in stopping child identity theft and to assist law enforcement in identifying and minimizing these crimes.

1. When considering a long-term solution it is clear that an alternate number needs to be developed for use by minors as a unique identifier. We believe that a task-force needs to be formed to discuss alternate identification tools that could be used instead of the Social Security number until children reach their maturity. This number could be an alphanumeric identifier which would be replaced by a Social Security number when the individual begins to work. This task force should include members of the Social Security Administration, the IRS, consumer advocates, subject matter experts, the Federal Trade Commission, the Treasury Department, Homeland Security, and the U.S. Attorney General's office on legislative issues, to create the necessary pipelines with involved parties, so a more immediate solution could be implemented.
2. *Shiloh's Act*; the 17-10 minor's database: Currently credit issuers are unable to determine the age of an applicant simply by Social Security number. Since people are able to apply for credit by the Internet, telephone, or by mail, not all credit issuers physically see the applicant. When they check with the credit reporting agencies, credit issuers are simply told there are no negative reports associated with that Social Security number. Remember that the first application for credit sets all of the standards of information that will be included in a credit report. That means a credit report could be

created using a child's Social Security number, with a different name and date of birth. There are no other records that the CRA's can use for comparison.

The 17-10 minor's database is similar to the national death registry. It would require the Social Security administration to create a database with the following three fields: SSN, name of person, month/year of birth. When a minor is first issued a SSN, his or her information would be added to the database. When a minor reaches the age of 17 years-10 months old, his or her information would be deleted from the database. The database would be made available via the Federal Trade Commission to the CRA's, DMV's, and other companies or governmental agencies that may need access to this list. Years ago, when we first came up with this concept, the SSA said it might be a workable solution.

When a credit issuer contacts the CRA's to check the credit worthiness of the applicant, if there is no report for that Social Security number the CRA will then refer to the 17-10 minors database. If that Social Security number is on the list the only words the CRA's may tell a credit issuer are: that Social Security number belongs to a minor. It is then up to the credit issuer to extend credit or not understanding that contract may not be binding.

We realize this is not the final solution. However, it should stop the majority of financial child identity theft cases until such time a more comprehensive solution is proposed by the task-force and accepted as policy. The 17-10 minors database will help with the problem of over exposure of the Social Security number in regards to foster children, will help prevent parents from using their own children's SSN when they can no longer get credit themselves, and should assist law enforcement in controlling data mining by cyber criminals of the SSN to either sell or use themselves for fraudulent financial purposes.

We have confirmed that the privacy act of 1974 limits the use of the SSN as an identifier to enroll in the public school so that should not be an issue. Since the majority of health providers no longer use the Social Security number as a medical record number or insurance number and also should not be an issue.

What is an issue is that hundreds of thousands of children every year are having their futures stolen from them due to child identity theft. That is an issue we cannot and should not ignore or put aside as unimportant any longer. If we, as a society and as a nation, do not protect children from identity theft then who will?

Thank you very much for your time and attention. We both offer our time and expertise to serve on the taskforce if one is established or just to be available to the committee as needed.

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Bios:

Linda Foley: An identity theft survivor herself, Linda has spent the last 14 years studying the crime of identity theft. In 1999 she founded the Identity Theft Resource Center and began to work with victims trying to clear their names and restore their lives. In the early 2000's she began to receive more and more calls from parents whose minor children had become victims of identity theft and by young adults who discovered their identities had been stolen before they turned 18. Some perpetrators were family members, often parents, and others were unknown criminals. Linda has spent the last 10 years researching this particular crime as well as other identity theft crimes. She is nationally respected for the depth of her knowledge of identity crimes and has received numerous awards and commendations for her work.

Jay Foley: After his wife became a victim of identity theft, he helped her to found the Identity Theft Resource Center in 1999. Jay's computer and investigative talents lead him to specialize in cybercrime and criminal identity theft. However, he also shared his wife's passion about all types of all types of identity theft. In partnership with Linda, they have undertaken the fight to bring child identity theft to the forefront – believing that even one case of child identity theft is one too many. He has also been working with the California Office of Privacy Protection regarding identity theft and foster children. Jay is also nationally respected for all of work in the field of identity theft and cybercrime. Along with his wife, they have recently founded a new company that will focus on the major issues of this evolving crime.

The Foleys: Together they have been interviewed by hundreds of print, radio, and television media about various topics regarding identity theft. In 2004, they received the 2004 National Crime Victim's Assistance Award presented by the US Attorney General. They have also received numerous commendations and awards for their work in the field of identity theft, victim's rights, and had served on taskforces ranging from the California Department of motor vehicles to the US attorney generals task force on identity theft. In 2010, they were honored to accept the Congressional victims rights Caucus Suzanne McDaniel public awareness award on behalf of of the identity theft resource center and the Foley's work in helping the public understand the issues of identity theft. The Foley's have served as subject matter experts for various state and federal legislative committees and testified in hearings across the country.